
IOWA UTILITIES BOARD

Policy Section

Docket No.: EEP-2012-0001,
EEP-2012-0002 and
EEP-2013-0001
Utility: Interstate Power & Light
Company, MidAmerican Energy
Company, and Black Hills
Energy
Memo Date: November 1, 2016

TO: The Board

FROM: Brenda Biddle

SUBJECT: Technical Reference Manual

I. Background

The Iowa Utilities Board (Board) issued orders¹ approving the most recent energy efficiency plans for Interstate Power & Light Company (IPL), MidAmerican Energy Company (MidAmerican), and Black Hills/Iowa Gas Utility Company, LLC, d/b/a Black Hills Energy (Black Hills).² In those orders, the Board agreed that a collaborative process to develop and maintain a statewide technical reference manual³ (TRM) was a worthwhile endeavor and approved that portion of the Settlement Agreement. The Board expected that the development of a statewide TRM would improve precision and more rigorous and frequent review to the savings algorithms used in the statewide assessment of potential; and would provide structure for program planning and goal setting. Additionally, it was anticipated that the TRM would provide standard and defensible protocols for calculating savings, including useful life and baseline assumptions for various energy efficiency offerings.

Based on the provisions of the Settlement Agreements, a planning committee was formed to develop a request for proposal for an independent, third-party contractor to be selected through a competitive bidding process. Ultimately, Vermont Energy Investment Corporation (VEIC) was selected as the contractor.

¹ The orders were dated December 2, 16, and 17, 2013.

² The corresponding docket numbers are: EEP-2012-0001, EEP-2012-0002, and EEP-2013-0001.

³ A technical reference manual provides a standard methodology for estimating savings energy efficiency measures that are common among the utilities.

A TRM Oversight Committee⁴ was formed to work with VEIC, to oversee the development of the TRM, and to designate appropriate individuals to participate on the Technical Advisory Committee. The individuals on the Technical Advisory Committee provided data and technical input, reviewed draft savings calculations, and attended teleconferences to review, comment on, and participate in the development of the TRM.

On September 30, 2016, the Office of Consumer Advocate (OCA), a division of the Iowa Department of Justice, filed the TRM and requested the Board approve the TRM and the associated implementation and update processes proposed as part of the TRM. The TRM documentation includes: Volume 1: Overview and User Guide (46 pages), Volume 2: Residential Measures (297 pages), Volume 3: Nonresidential Measures (355 pages), and additional data files (and explanation) for Residential and Nonresidential high- and low-impact measures.

II. Legal Standards

Currently, neither Iowa Code nor Board rules (199 chapter 35) require the utilities to file a TRM. However, the Board approves both the energy efficiency plan (plan savings) and the budget and chapter 35 does have rules regarding modification of an energy efficiency plan which may be relevant to the TRM discussion and the related implementation plans and updates to the TRM document.

199 IAC 35.6(4) *Modification after implementation.* An approved energy efficiency plan and budget may be modified during implementation if the modification is approved by the board. The consumer advocate or the utility may file either a separate or joint application for modification. The board, on its own motion, may consider modification of the energy efficiency plan and budget.

a. The utility shall file an application to modify if any one of the following conditions occurs or is projected to occur during the current or subsequent calendar year of implementation of its plan:

(1) The total annual plan budget has changed or will change by a factor of at least plus or minus 5 percent;

(2) The budget per customer class or grouping has changed or will change by a factor of at least plus or minus 10 percent;

(3) An approved program is eliminated or a new program is added.

b. All applications to modify shall be filed in the same docket in which the energy efficiency plan was approved. All parties to the docket in which the energy efficiency plan was approved shall be served copies of the application to modify and shall have 14 days to file their objection or agreement. Failure to file timely objection shall be deemed agreement.

⁴ The TRM Oversight Committee includes representatives from Iowa utilities, Iowa utility organizations and interested stakeholders (primarily parties (i.e. IPL, MidAmerican, Black Hills, Environmental Law and Policy Center, Iowa Environmental Council and the OCA) to the TRM settlement terms).

c. Each application to modify an approved energy efficiency plan shall include:

- (1) A statement of the proposed modification and the party's interest in the modification;
- (2) An analysis supporting the requested modification;
- (3) An estimated implementation schedule for the modification; and
- (4) A statement of the effect of the modification on attainment of the utility's performance standards and on projected results of the utility's implementation of its plan.

d. If the board finds that reasonable grounds exist to investigate the proposed modification, a procedural schedule shall be set within 30 days after the application is filed.

e. If an application to modify is filed and the board finds that there is no reason to investigate, then the board shall issue an order stating the reasons for the board's decision relating to the application.

f. If the board rejects or modifies a utility's plan, the board may require the utility to file a modified plan and may specify the minimum acceptable contents of the modified plan.

199—35.7(476) Waivers. Upon request and for good cause shown, the board may waive any energy efficiency plan requirement. If the waiver request is granted, a copy of the board order shall be filed with the energy efficiency plan.

III. Analysis

TRM Development

The TRM was developed through a collaborative process which achieved consensus on the characterization of the measures included in the TRM. For any technical or measure-related issues that did not achieve consensus, the TRM Administrator⁵ recommended resolutions to the TRM Oversight Committee, which was able to resolve the issues for this TRM. However, it was noted that in the future the Board may be asked to decide TRM technical issues that do not achieve consensus. Furthermore, if consensus is not achieved on policy issues related to TRM usage or application or other non-technical matters, the TRM Administrator will document the issue and allow the parties to state their positions, propose a resolution on the issue, and state whether a hearing process is needed.

TRM Implementation

Based on the terms of the Settlement Agreements, it was anticipated that the TRM would be completed and used in the assessment of potential for the upcoming (2019-2023) energy efficiency plans and may be implemented during the current (2014-2018) plan cycle. The OCA, on behalf of the parties,

⁵ The current TRM Administrator is Vermont Energy Investment Corporation.

recommended that this TRM serve as the primary source documentation and be fully incorporated into the assessment of potential for the 2019-2023 energy efficiency plans.

The TRM documentation notes that the utilities will make an effort to reflect the TRM measure characterizations for the high-impact measures in the 2017 and 2018 program years' reporting but can also choose to incorporate other measure characterizations from the TRM. The utilities plan to indicate in the 2016 Fall Operations Meeting materials⁶ which of the TRM's high-impact measures will be incorporated into the 2017 plan year and also estimate the energy savings impact from adopting (or not adopting) the TRM assumptions. The parties will attempt to resolve differences of opinion on the utility's adoption of the high-impact TRM measure assumptions, but reserve the right to pursue complaint or modification proceedings related to the implementation path selected by the utilities during the remaining years of the current plan.

The OCA's filing on behalf of the TRM Oversight Committee said that the incorporation of the TRM measure assumptions into the 2017 and 2018 plan years will not impact the utility's savings goals approved in the current plan. The utilities that implement the high-impact measures and are able to separately track existing savings values will report savings impacts for 2017 and 2018 based on the measure characterizations approved for the current plan and those used in the TRM and adopted by the utility. For the parts of the TRM that are adopted, the utilities will provide sufficient information about changes in TRM values and assumptions to enable evaluation of program performance for the 2017 and 2018 plan year.

TRM Updates

It is anticipated that the TRM will be updated annually with the updated version delivered to the TRM Oversight Committee by June 30th of each year and filed with the Board on or about September 30th of each year. The updated TRM would have a proposed effective date of January 1. In the Fall Operations Reports and January Plan Update filings, the utilities will show the impacts of the revised TRM assumptions on the approved plan goals.

All measures will be reviewed at least once in the five-year plan period but the measures may be updated more frequently, if needed. The TRM Oversight Committee may approve additional revisions to the TRM if circumstances warrant (i.e. significant error identified or addition of a new measure).

The TRM Oversight Committee suggests the Board place the TRM and its supporting files on the Board's Web site for ease of access for the public and stakeholders and to provide transparency for the TRM process.

⁶ The Fall Operations meeting is scheduled for Wednesday, November 2, 2016.

IV. Recommendation

It is apparent from the TRM document that much thought and time was spent in developing the TRM. However, staff has several questions related to the implementation of the TRM for the current and future energy efficiency plans. The TRM Oversight Committee asks the Board to approve the TRM and the proposed implementation and update process. Staff suggests that before approving the TRM, the Board should have a clear understanding of how the TRM will impact the utilities' current (2014-2018) energy efficiency plans (i.e. approved savings and associated cost-effectiveness information) and how the proposed implementation and update process will impact the Board's approval of future energy efficiency plans.

Staff recommends the Board direct General Counsel to draft an order requesting that the investor-owned utilities, the TRM Oversight Committee, and any other interested parties respond separately or jointly to the following questions:

1. Would implementation of the TRM for the last two years of the current plan (2017 and 2018) impact the Board's already approved five-year plans?
 - a. If yes, please provide the estimated impact of the TRM on the savings projected and approved in the five-year plan for each utility by program (electric and natural gas) for 2017 and 2018?
 - b. Is it anticipated that the utilities would request a plan modification to account for changes in savings that occur from implementing (and updating) the TRM?
2. Should the Board's chapter 35 rules be revised to accommodate the proposed TRM process?
3. Could the TRM be adopted for the entire five-year plan rather than updating it annually?
 - a. If not, should the five-year energy efficiency plan period be shortened to three or four years to account for the updates to the TRM?
4. Under the current energy efficiency plan approval process, assumptions used in the Assessment of Potential and in development of the five-year plan savings calculations are used throughout the five-year plan. If the Board approves a five-year plan based on one set of assumptions and that set of assumptions has the potential to change annually with updates to TRM, how does that impact the Board's original approval of the five-year plan?
 - a. How would each utility track (and report to the Board) the projected changes (in savings and cost-effectiveness) that may occur based on the TRM updates?

5. Do changes/updates in the TRM assumptions have the potential to impact the cost-effectiveness of energy efficiency programs? If yes, how will utilities track (and report to the Board) the changes in cost-effectiveness and how would it impact the approved plans?
6. How do the parties propose that the Board make decisions on non-consensus technical issues in the future?

RECOMMENDATION APPROVED

IOWA UTILITIES BOARD

/bkb

<u>/s/ Geri D. Huser</u>	<u>11-1-16</u>
	Date
<u>/s/ Elizabeth S. Jacobs</u>	<u>11-2-16</u>
	Date
<u>/s/ Nick Wagner</u>	<u>11-1-16</u>
	Date